
Cloud Music Inc. First Half of 2023 Earnings Conference Call

7:00 PM Hong Kong Time, August 24, 2023

Our results in the first half of the year showcase our strength in bringing our community better, innovative music-inspired content and products while improving our music-centric monetisation. Our achievements on scale improvement, content expansion and product innovation and pricing optimisation, have collectively helped us deliver notable growth in membership revenue, all the while the initiatives in optimising our costs are driving meaningful expansion to our margins. As a result, we are delighted to achieve positive performance across both Operating Profit and Adjusted Net Profit for the first time for the first six months of 2023.

Our efforts to differentiate our products through innovation and elevate our content ecosystem are creating a better and unique overall user experience. Meanwhile, we continue to broaden music consumption scenarios and further initiatives that bolster user mindset and our brand's reach, contributing to better new user attraction. As a result, we bucked the broader industry slowdown in the first half of the year, growing our total MAUs by 14% year-over-year to reach 207 million, surpassing the 200 million MAUs threshold. Our DAU/MAU ratio also remains well above 30%, and the average daily time users spend listening to music on our mobile terminal continued its stable trend, demonstrating our ability to foster continued growth across our leading music-inspired community.

The wide variety of music we continually add to our portfolio is being accumulated with an ongoing focus on efficiency. We continuously enhance our copyrighted content library and are adding more robust capabilities within our independent artist and in-house music production ecosystems. This trifecta further strengthens our comprehensive and differentiated content ecosystem, encouraging user stickiness and users' willingness to subscribe to our premium offerings. We will remain focused on our advantageous music genres and further round out our content offerings, aided by our ongoing efforts in cooperation with record labels, and a focus on original music ecosystem. Meanwhile, we are exploring potential copyright collaborations with diverse downstream channels for broadening music content exposure and commercialisation potential.

We have also gotten better at music-centric monetisation. Throughout the first half of 2023, our online music business continued to show solid growth momentum. On the other hand, our social entertainment revenue has declined, as we are refining our operating strategy.

For our **online music** arm, our total subscription-based memberships revenue increased by 17% year-over-year. This growth was driven by an increase in the number of subscribers and improved ARPPU, which are largely due to our ongoing content improvements, innovative features, expanded membership privileges on our platform and pricing optimisation initiatives. We will continue improving the unique premium membership experience and broaden consumption scenarios to further encourage users' willingness to pay.

Our **social entertainment** arm saw a 24% year-over-year decline in revenue, as we are refining our strategic positioning in the social entertainment services to enhance the listening experience of more dedicated music fans and improve profitability. Meanwhile, we are further reinforcing our internal control mechanism, and taking additional measures to optimise functions, to promote the sound and sustained development of our ecosystem.

We considerably improved our profitability in the first half of 2023 by increasing in scale of our core online music business, adopting a more optimised copyright cost structure, and improving the revenue-sharing ratio in our live streaming business. Gross Margin soared to 24.7% in the first half of 2023, compared with 12.6% in the same period of 2022, and we reached an Adjusted Net Profit of RMB 332 million in the first half of 2023. This is a notable improvement compared with an Adjusted Net Loss of RMB 217 million in the first half of 2022. The continued optimisation of our cost structure and the measures we have implemented to operate more efficiently with disciplined cost management will help us navigate healthy, sustainable profitability trends over time.

We recently celebrated the 10th anniversary of NetEase Cloud Music, launching a series of engaging and nostalgic campaigns to highlight the unforgettable memories and

milestones with users, musicians and other stakeholders on our platform. Since our inception, we have made tremendous headway in developing our unique music-inspired content and community ecosystem and exploring commercialization avenues. We are proud of our accomplishments and look forward to continuing our musical journey.

Looking forward, we remain committed to cultivating our community, bringing more premium content and innovative products to our users, further driving high-quality growth momentum, strengthening our commercialisation capabilities and improving profitability. Our well-rounded growth strategy upholds the importance of our platform's healthy development, which will bolster our sustainable future, creating value for our community participants, partners and all of our stakeholders.

With that overview, I'd like to update you on what we are doing in each of the primary areas of our business, including our content ecosystem, community and product innovation, and commercialisation.

On our comprehensive and differentiated content ecosystem

[Content library expansion]

We continue to incorporate a wider variety of copyrighted content to our library, focusing on our advantageous genres; meanwhile, we are strengthening our leading original music ecosystem and developing unique in-house music content. These actions further amplify our comprehensive and differentiated content ecosystem to meet our users' ever-changing needs. This is especially true of our younger users, who show increasingly diverse tastes and interest in discovering new music horizons. Providing music-inspired content that resonates with our users keeps them sticky, engaged and willing to pay for content they love on our platform. To this end, we had strategically expanded our content library to about 136 million music tracks by the end of June 2023, with a wide range of music from established labels, independent artists and our in-house production.

Beginning with our **copyrighted content library**. Using a disciplined approach, we actively **deepened our partnership with copyright holders**. Amid the industry-wide

trend of optimised content costs, we are driving a meaningful improvement in our gross margin profile, further aided by our adept acquisition and management of copyrighted content. Since the start of the year, we are proud to have reached new deals with more renowned labels, such as B'in Music, CoMix Wave Films and Sodagreen/Oaeen (鱼丁糸). We have also reached strategic partnerships with RYCE Entertainment (which represents Jackson Wang) and copyright partnership with Chris Lee. Additionally, we added more Korean music to our library, signing deals with Korean record labels such as DREAMUS (which represents popular artists including Shinhwa) and JTBC (renowned for its vast library of OST).

Meanwhile, along with our adept acquisition of copyrighted content, we continued **promoting our advantageous music genres and styles**. In particular, young music lovers on our platform are more inclined to explore new music horizons. Genres such as hip-hop and Chinese folk have seen a surge in popularity on our platform, with new hit songs, including "Wo Ji De" by Chinese folk musician Lei Zhao and "Snow Distance" by Capper & Yan Luo, demonstrating the positive momentum we have built across these genres.

The revival of the music entertainment sector further propelled our content expansion in the first half of 2023. We actively secured a series of **copyright for trendy music variety shows** propelling music content consumption and user activity on our platform with additions such as *The Infinity and Beyond 2023* (《声生不息宝岛季》), *The Rap of China 2023* (《中国说唱巅峰对决2023》), *The Treasured Voice 4* (《天赐的声音第四季》), *Ring a Bell* (《剧好听的歌》) and *The Big Band 3* (《乐队的夏天3》).

We have also **deepened collaborations with top artists**, several premium new albums recorded impressive sales on our platform. For example, the latest mini-album from the South Korean girl group (G)I-DLE, titled "I FEEL," quickly gained over RMB 10 million in gross sales, selling over 440,000 million copies after its release in May. To help promote the release, we provided album-specific virtual features on our platform to further create closer bonds between musicians and their fans. Our first co-published

physical album, C-Pop artist Chenyu Hua's new album "希忘(Xiwang) Hope" recorded approximately RMB20 million in total gross sales.

[Copyright partnerships with downstream channels]

We have further strengthened **Copyright partnerships with downstream channels**, broadening the reach of music recommendations and access to more value-added services along the music industry value chain. For instance, we have upgraded our one-stop copyright service platform "Cloud Village Exchange" (云村交易所) with more precise features to better meet the growing demand in downstream commercial use of copyrighted music. Additionally, we expanded our partnership with more downstream channels to facilitate orderly usage of copyrighted content, these initiatives including the additions of Tmall Genie's voice-based interactive system (天猫精灵语音交互系统), Hangzhou International Digital Exchange Center and China's largest bar chain network Helen's (海伦司).

Turning to our independent artists. We continue to enhance our support system for independent artists, offering comprehensive assistance for their encounters in the limelight and backstage, from the creation process to promotional and financial support, where we are nurturing a new generation of pioneering original forces for the Chinese music industry. As of the end of June 2023, our platform was home to more than 646,000 registered independent artists, who contributed about 2.8 million music tracks to our content library. We are also proud to have discovered and nurtured early-stage musicians, such as Runze Zheng (郑润泽), who is being more popular. We remain committed to investing in initiatives that support musicians, enhancing music creation tools, and broadening both online and offline music exposure. These are designed to help independent artists increase their influence and income, strengthening our original music ecosystem.

We leverage cutting-edge technologies to support musicians' **content creation** and have launched a suite of efficient musician tools that cover the entire composition process. These include lyric-writing, composing, singing and arrangement to maximize

musicians' productivity. Among these tools, our smart music creation tool provides reliable assistance to musicians in their production endeavours and further opens up music creation possibilities to more music lovers who lack a professional background. For example, X Studio, our voice synthesis software in collaboration with Xiaoice, provides 12 natural singing voices in pop, electronic, rock and other genres that parallel professional singers' vocals, accelerating the process of finding the appropriate voice for their project for the music creation process.

We continued to **discover and nurture musical talent**. Using a range of approaches, including **special events, targeted operations and location-based initiatives**, we leverage our internal and external resources to boost the presence of musicians and their quality work, further propelling music discovery.

Firstly, musician discovery programme. We recently launched the *New Voice Power Project (新声势力计划)*, a programme designed to identify and foster talented individuals by providing emerging producers, musicians, and aspiring talents with comprehensive training and development opportunities both online and offline.

Secondly, with the return of offline entertainment, we're **taking a deeper dive into the location-based perspective** and integrating our online and offline resources to support emerging musicians. These initiatives include region-specific recommendation columns and multiple promotional projects with region-themed special planning and programmes, such as our *City Tour Guide (城市云游指南)*. This renowned special planning series provides region-specific local content and musician promotions. Another example is our regionally-inspired discovery programme for fresh rappers called "*Take in and Rap out*" (*街头招式*). Here, budding rappers and aspiring producers can team up with some of the most renowned producers and rappers from the same region, propelling the next wave of local rap music.

Moreover, we have been able to **extend the reach of musicians** by utilizing the momentum of the music community on our platform and our extensive promotion channels such as music festivals, offline tours and variety shows. We are also leveraging

our offline presence to further promote our musician ecosystem, joining forces with Pepsi to launch the recent annual music festival (热爱全开音乐节) in Qingdao and with the upcoming third season of our camping-themed music festival brand, "*Cloud Village Camping Music Festival*" (云村营地音乐节).

Lastly, in terms of helping musicians with commercial recognition, our platform's different monetisation approaches and upgraded supportive initiatives are designed to help musicians maximise their financial yields, facilitating favourable conditions for them to focus on music creation.

Earlier this year, we rolled out the latest phase of our renowned musicians' support project, "*Project Cloud Ladder 2023*" (云梯计划 2023 第一期), which significantly bolsters the financial backing for musician groups by offering a more attractive financial settlement mechanism with additional incentives that encourage independent artists to generate high-quality original content. The update also provides musicians access to more services, such as worldwide music distribution and automated copyright protection. These efforts have, in turn, helped us promote our original music ecosystem.

Our Music Collectors Model provides another valuable financial support for early-stage talented artists. At the same time, the Cloud Village Exchange and our partnership with overseas distribution channels help musicians further expand royalties and commercial benefits.

Turning to our in-house production arm. We continued expanding our in-house teams and strengthening our music creation capabilities. Drawing on our expertise in music, a wide and varied user base and in-depth user insights, our multiple in-house studios continue to focus on creating unique music content to further enrich our content matrix to cater to the diverse needs of audiences with varying tastes. We are also further driving commercial value through deeper collaboration with NetEase portfolio and external commercial brands.

Since the beginning of 2023, **our in-house studios have successfully popularised multiple hit songs.** Our co-produced song "Xiang Yun Duan" (《向云端》), in particular, has demonstrated remarkable popularity across multiple platforms since its release in May. Currently, it has amassed nearly 400 million streams, over 6million shares. Its success demonstrates our ability to craft top-notch and emotionally evocative content while showcasing the success of our pioneering joint-production model with record companies.

We have deepened our collaboration with NetEase's portfolio and commercial brands on customized promotion songs. Specifically, we have rolled out customised songs for NetEase blockbuster game IPs, such as *Fantasy Westward Journey* (梦幻西游), *Onmyoji* (阴阳师) and *Eggy Party* (蛋仔派对). Moreover, one of the customised game promotion songs "Look, it's Eggy" (《注意看，是蛋仔》) for *Eggy Party* (蛋仔派对) has been widely praised by game players. We also collaborated with mainstream commercial brands, such as SAIC Volkswagen and Yili, further enhancing our value to the industry.

In addition, **our in-house music works have been featured in many prominent galas in China and have served large-scale sports events and influential public events,** such as the 19th Asian Games Hangzhou. Our inclusion further demonstrates our capacity to create and customize top-notch music.

[Content operation and promotional circulation]

We continually refine our content operation capabilities to promote high-quality content across a wider range of users through a series of special planning episodes. To commemorate the 10th anniversary of NetEase Cloud Music, we highlighted ten of the most memorable moments from the Chinese music industry and our platform over the past decade, evoking users' resonance with the platform and improving their engagement.

We also launched a soothing special planning episodes theme titled "Chill a bit" (Chill 一下) to invite collaboration with emerging bands and in an effort to promote niche

music content. We are also excited to explore cross-border creation on various topics. For example, we partnered with cinema circuit Broadway Cinematheque (百老汇电影中心) for a special film festival honouring Ennio Morricone, the ingenious master composer of cinema. The collaboration also features merchandise with Cloud Music IP elements to further enhance our brand awareness.

Additionally, we are exploring diverse and innovative formats that help the discovery and consumption of music content, further driving user activity. We recently upgraded Music-Podcast (音乐播客), a unique format that combines podcasting and music discovery to offer music lovers another way to be introduced to and connect with unique, quality and lesser-known songs.

Community ecosystem and product innovation

Turning to our **community and product innovation**.

Throughout the first half of 2023, we worked hard to invigorate our unique community by introducing new features to our platform. We innovated the music listening experience, added interactive features and created broader communication scenarios. Our efforts have helped to elevate the user experience, inspiring music-resonance and increasing user engagement, resulting in the growth of our multi-layered community ecology.

[Optimising users' listening experience] We always aim to provide our users with the best listening experience possible. Among our recent additions, we have launched two new sound quality options for **premium subscribers**, the "ultra-clear master tape" (超清母带) and "surround sound" (沉浸环绕声). The former aims to restore the original recording sounds, while the latter creates an immersive listening experience. Further, **we have released a massive breakthrough in our iconic vinyl player interface**. The upgrade brings users nine new player styles, adding a differentiated audio-visual experience in one of the most well-recognized elements.

In addition, we have recently officially launched the "Private DJ"(私人 DJ) feature, incorporating music recommendations with an intelligent and personalized music introduction and explanatory experience that involves song recommendations, background stories of songs and an encyclopaedia. This feature allows users to recall the old-fashioned radio DJ, while enjoying a more personalised music accompaniment as part of their listening experience.

[Fostering community attributes] Moving to our diverse array of community products. We know that music has the power to spur emotional resonance and create meaningful connections. Therefore, how users connect around music is an important component that reinforces our community atmosphere. We do this with innovative products and features that form tighter bonds among music listeners and between our users and artists.

Building on our iconic Comments section, we recently rolled out "**Comment Square**" (乐评广场), which has emerged as a vibrant gathering place for users to express how content, such as their favourite songs, has resonated with them and offers a space for finding connection with other users.

We also integrated our **Fans Space** (乐迷团) feature with "**Cloud Circle**" (云圈) to **inspire even more music-centric interpersonal connections**. Now, artists and fans can interact more seamlessly while encouraging interactions among users with similar music tastes.

[Expanding music consumption scenarios] We are currently focused on expanding our audio experience and content into more scenarios, such as game and IoT layouts.

We are actively expanding music consumption in connection with gaming scenarios, creating more immersive gaming experiences with NetEase Games. By connecting users with various listening options in hit games like *Eggy Party* (《蛋仔派对》) and *Sky*(《光遇》), we have created better listening experience optionality for gamers while expanding music consumption within core gaming scenes. We recently launched a cooperative gift package, including customised in-game skins and characters that

integrate Cloud Music IP attributes, as well as a bundled vinyl VIP membership. This collaboration has attained notable popularity, showing impressive user reactivations and user willingness to pay for this feature. In addition, we have extended cross-over collaborations on our iconic player interface to more popular gaming IPs, offering additional visual appeal to both game and music enthusiasts that have boosted user engagement and stickiness.

We have also expanded our content coverage across more IoT terminals in various aspects of people's everyday lives. Most recently, we expanded our coverage to more automakers and their in-car systems, including Geely, SAIC Audi, bringing these systems access to NetEase Cloud Music's vast music library.

Branding campaigns

Our users and community inspire our content-driven marketing campaigns and popularise users' mindsets to help us reach a wider audience and strengthen our brand equity.

Extending these branding initiatives during the celebration of our 10th anniversary, we launched a series of engaging campaigns highlighting the unforgettable memories and milestones with users, musicians and other stakeholders on our platform, fortifying our brand communication and user engagement.

We continue to build and extend our creative community-originated branding via our iconic comments. Recently, with the theme of the college entrance examination, a series of the most inspiring and uplifting comments were displayed at Shenzhen Subway Station.

Following our previous popular psychology quizzes like “Living your colour personality quiz,” we have introduced another interactive “quiz” based on the famous works of Haruki Murakami. Exploring the stories of Murakami, users' personality traits devised by the quiz are paralleled with Murakami characters and themes. This project

has further showcased our ability to utilize content-driven marketing campaigns to reach a wider audience and popularize users' mindsets.

Commercialisation

In terms of commercialisation, we have considerably strengthened our music-centric monetisation capabilities throughout the first half of 2023. Our steadfast core group of young users continues to show high stickiness and spending willingness alongside the unique premium user experience and community attributes.

Our **online music services revenues** increased by 13% in the first half of 2023, driven by healthy growth in membership subscriptions of 17%, both compared with the same period in 2022.

Our membership subscription revenue growth was attributable to the simultaneous upward trend across our subscriber base and ARPPU. Notably, our paying user base increased by 11% year-over-year.

In terms of membership expansion, we strived to increase user willingness to pay for broadened premium privileges via enhanced premium content offerings, continued product innovation, broadened membership privileges and joint membership programmes. Our new offerings, such as a membership-exclusive music player, sound quality and sound effects, as well as IP-themed players, all supported improved user activity and bolstered our paying user conversion rate. Moreover, we are actively exploring collaboration on membership programmes with both internal and external partners. As previously mentioned, we have launched a joint package with *Eggy Party* (蛋仔派对).

Moreover, the ARPPU improvement was mainly attributable to our continuous pricing optimisation.

With our membership subscriptions, we aim to continue driving solid revenue growth by leveraging differentiated content and functions, broadened membership privileges,

and expanded consumption scenarios. Meanwhile, we will look to diversify our membership system to help satisfy users' broad consumption demands and explore opportunities for incremental revenue contribution.

Looking at our **Advertising Services**, advertising revenue returned to positive year-over-year growth during the period. We effectively expanded our advertiser base thanks to our strengthened and more efficient ad sales team, the increasing recognition of our platform and recognition of the intrinsic value of our users by more advertisers. Moreover, enhanced operating efficiency drove continual ad growth during the period.

Going forward, as we work to explore innovative formats, we will strengthen the integration within our content and community ecosystem. We'll also opt for more offline event sponsorships that progress our advertising initiatives and help validate our long-term branding value, such as the annual music festival (热爱全开音乐节) in Qingdao that we recently launched in collaboration with Pepsi.

For our **social entertainment** arm, revenue has declined 24% year-over-year, as we are refining our operating strategy for social entertainment services. We introduced multiple measures in the social entertainment services to enhance the listening experience of more dedicated music fans and improve profitability. These include reducing the in-app exposure of certain live streaming functions and lowering broadcasters' and agencies' revenue sharing ratio. Moreover, we are further reinforcing our internal control mechanism, such as adopting stricter monitoring over irregular user activities, and recently taking additional measures to optimise live streaming functions.

Our goal is to promote our live-streaming services' healthy and sustained development under better integration with our core online music ecosystem. Ongoing initiatives in this area include collaborations with independent artists on our platform. In addition to live streaming, we will explore more production innovation and monetisation opportunities in the social communications sphere, where we see an opportunity for new revenue potential over time.

Regarding our overall commercialisation, we are exploring diverse monetisation opportunities across differentiated products and offerings that will further engage our community and broaden consumption scenarios. This powerful combination enhances users' stickiness and willingness to pay, especially among our platform's massive base of young users. On top of our recurring revenue from solid subscriber memberships, we are committed to exploring innovative monetisation methods to tap into more commercial opportunities across our music-centric content and community and more innovative experiences. Collectively, we expect these initiatives to contribute to our business's sustainable growth momentum over the long term.

Q&A

1. **CICC – Xeuqing Zhang:** What are the expectations for NetEase Cloud Music's membership business in 23H2 and long term?

William Ding: Users are willing to pay for unique content. Cloud Music is focusing on providing users with an expansive portfolio of high-quality and popular music content. The monetisation comes not only in the form of subscriptions, but also through digital albums and other formats. We believe there is a lot of potential in content-based monetisation.

2. **GS – Lincoln Kong:** Could management please provide an overview of the progress with copyrighted content and how copyright costs are trending directionally?

William Ding: In the past, high copyright costs were mainly due to a disordered market. However, with the market becoming more orderly, we are seeing continual optimization in copyright costs. This is largely thanks to the government's supportive measures in the industry that propel more fair copyright settlement mechanisms, as they do in other countries. Moreover, we still see further potential for this to improve, as the minimum guarantee settlement for copyright licensing in China still contains a premium, compared to usage-based royalties payments in other regions, such as Europe, America, Japan and South Korea. We are also investing in original music content over the long term. We are playing a crucial role in propelling the music industry, and musicians now have the opportunity to release their songs and expand

their outreach to audiences without relying on other promotional channels as they did in the past. With that, high-quality songs are more inclined to become hits. We are committed to making efforts to support and expand independent musician base in China, even though we might incur certain costs in this process.

3. **BofA – Lei Zhang:** What advantages does AIGC bring to the music industry and Cloud Music? In particular in terms of smart creation and song recommendations?

William Ding: AI is incredibly helpful in pushing the boundaries of music production. Now, the quality of music created by AI can outperform the work of 80-90% of people. However, we do not see much chance that AI will be able to create top-notch music work. At present, AI can generate good melodies and song arrangements, however lyric creation from AI is not on par with top hits. We have been actively investing in AI since 6 years ago and we are one of the early players to benefit from AI-enabled applications. The singing capability of our intelligent voice synthesis software, which was developed in collaboration with Xiaoice, has outperformed more than 99% of people. This is a very important application scenario for AI. Our intent is to leverage the new wave of AI technology breakthroughs, applying AI to music and other related aspects, ultimately bringing users an enjoyable experience.

4. **UBS – Wei Xiong:** For Social Entertainment, how does management view the growth prospects for this segment in the second half of 2023 and next year? Also, what is the strategy for diversifying monetisation in the future?

William Ding: You don't have to be concerned about the source of revenues for NetEase Cloud Music. We have such a large group of engaged users that we are confident in our ability to develop more commercialisation models that users are willing to pay for. We will continue our efforts in social entertainment in the second half of the year. We are confident in exploring more monetisation opportunities in the future. One of the ways that we differ from Spotify is that we have more diversified revenue streams, in addition to membership subscription revenue.

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5. **CITIC Securities – Tianhao Liu:** How is original music strategically positioned within the Company’s content ecosystem, and what are your goals and vision for original music in the medium- to long-term?

William Ding: Original music has been a very important part of NetEase Cloud Music. We set out to support thousands of independent musicians in China. Now we are home to over 640,000 independent artists, and we are also the largest original Beat trading platform in China, demonstrating our commitment to the development of original music. Cloud Music stands out from other platforms, like Apple Music and Spotify, because of our decade-long dedication to nurturing a large group of independent musicians. We provide them with a platform to create and publish music works, as well as develop and grow as artists, accumulate their audience and create emotional connections with their followers here. We are passionate about original music and we see this as an area where we are willing to invest best of our resources to support and nurture it.

6. **Daiwa – Candis Chan:** What’re the main drivers for user growth and what are your future user acquisition strategies?

William Ding: Importantly, our copyrighted content is constantly improving, and we are simultaneously developing a variety of in-house music content. This content enrichment has enabled us to draw in a large number of young users. We are committed to promoting Chinese original music and musicians and helping C-pop music become a major genre and style in the global music scene. To support our future user growth, we will continue to focus on content and our platform’s community environment.

7. **China Renaissance – Eileen Lin:** What are management’s views on the future margin trend?

William Ding: We are confident it will get better and better.

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8. **GF Securities – Zhe Zhou:** What strategies do you have in place to maximize traffic monetization potential through advertising?

William Ding: Advertising is one of Cloud Music's revenue streams, but at the moment, we are not taking an aggressive approach to promote ads to users. However, we will be offering an ad-supported mode to non-paying users, which means they will be able to access membership-only songs after viewing the ads. This is an important initiative we plan to explore in 23H2.

9. **CMBI – Wentao Lu:** What strategies will you employ in the social entertainment business to capitalize on the resurgence of offline concerts and fan activities?

William Ding: We have been actively involved in concerts and music festivals, providing support for a variety of activities. However, we are still exploring more effective approaches to generate meaningful revenue from this area.

10. **Citi – Vicky Wei:** With a stable environment, how do you view the development of online music and the social entertainment industry in the long run?

William Ding: We are optimistic and confident in it. A monthly music membership fee of around RMB10 is not a particularly significant financial spending. Additionally, people are increasingly seeking out social interaction. This is an area we are particularly optimistic about, as music is inherently intertwined with social connections. Music lovers are naturally inclined toward social engagement, with plenty of built-in topics to discuss and socialize around. With this understanding, we are confident in Cloud Music's ability to foster the intersection of music and the social networking space.